

Amendments to the Claims:

1 – 10. (canceled).

11. (previously presented): A method to encode an image with a digital watermark, wherein the image comprises a plurality of color channels, said method comprising:

determining a color characteristic for a group of image samples;

based at least in part on the characteristic, determining for the group of image samples which of the plurality of color channels should receive encoding;

transforming from the group of image samples at least one determined color channel that should receive encoding into a transform domain; and

altering transform domain coefficients of the at least one determined color channel to encode the digital watermark.

12. (currently amended): The method of claim 11, further comprising transforming an ~~[[the]]~~ altered color channel into a spatial domain.

13. (original): The method of claim 11, where the characteristic identifies which of the color channels will best hide the digital watermark in terms of visibility.

14. (original): A method of encoding a color image with an auxiliary signal, wherein the auxiliary signal comprises encoding values, and wherein the color image comprises an array of color values, said method comprising:
- providing a set of encoding values for an image sample;
 - determining a color characteristic for the image sample based on its color values;
 - and
 - selectively scaling color values in the image sample based on the color characteristic.
15. (original): The method of claim 14, wherein scaling effects a change in luminance.
16. (original): The method of claim 15, wherein the scaling comprises a scale to black.
17. (original): The method of claim 15, wherein the scaling comprises a scale to white.
18. (original): The method of claim 14, wherein the color characteristic comprises yellow content.